

April 12, 2021

VIA ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 5127 – 2021 Annual Retail Rate Filing
Responses to Record Requests (Complete Set)**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”), enclosed¹, please find the Company’s responses (“Complete Set”) to the record requests issued at the Public Utilities Commission’s Evidentiary Hearing on March 26, 2021. This transmittal also includes the Company’s responses to Record Request Nos. 2 and 7, which the Company previously submitted on March 29, 2021.

Thank you for your attention to this filing. If you have any questions, please contact me at 401-784-4263.

Sincerely,



Andrew S. Marcaccio

Enclosures

cc: Docket 5127 Service List
John Bell, Division
Al Mancini, Division
Leo Wold, Esq.

¹ The Company is submitting an electronic version of this filing followed by five hard copies filed with the Clerk within 24 hours of the electronic filing.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

Joanne M. Scanlon

April 12, 2021
Date

National Grid – 2021 Annual Retail Rate Filing - Docket No. 5127
Service List Updated 2/15/2021

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Record Request No. 1

Request:

Does the Company agree or disagree with Chairman Gerwatowski's description of how the weighted cost of capital would compensate the Company for any under collection from New England Power? Does the CTC provide direction on how credit would go back to retail customers?

Response:

The Company agrees with the Chairperson's description that the weighted average cost of capital ("WACC") would effectively compensate the Company in the situation where the Company was crediting its customers at an amount greater than the credit it would be receiving from New England Power ("NEP"). The 10.46 percent CTC WACC was designed to compensate NEP for its stranded costs created when it divested its generation business and eliminated its long-term all-requirements contract with the Company. However, because the CTC account balance has been and will likely continue to be in a credit position, the Company is benefitting from receiving the WACC from NEP.

NEP's anticipated \$2.5M revenue excess, calculated as the difference between the Company's CTC estimated 9,212,951 Gigawatt-hour ("GWh") deliveries billed at the Company's 2021 CTC rate of (\$0.00113) (a credit of \$10.4M), and the Company's actual GWh deliveries billed at the rounded 2021 CTC rate of (\$0.0011) (a credit of approximately \$7.9M based on the retail GWh forecast), will be combined with the Company's share of actual to estimated expense under/overs and multiplied by the CTC WACC to determine the end of year account balance to derive NEP's 2022 CTC rate to the Company.

The Stipulation and Agreement between New England Power Company (NEP), the Narragansett Electric Company, the Division and the Commission in FERC docket No. ER97-680, which, *inter alia*, reflects NEP's agreement to divest its generation business, does not provide direction on how the Company would collect charges from or return credits to its retail customers. The Non-Bypassable Transition Charge Adjustment Provision in R.I.P.U.C. No. 1188 dictates transactions between the Company and its retail customers.

In conclusion, the Company agrees that the weighted cost of capital would compensate the Company for any under collection from New England Power assuming that the Company retains the value of the WACC that accrues in the NEP CTC reconciliation.

Record Request No. 2

Request:

Does the Company have any objection to using .00149 factor from the response to PUC 2-12 to flow back the \$10.4 million credit due ratepayers, with the understanding that the Company would receive the weighted cost of capital?

Response:

The Company does not have an objection to using the illustrative \$0.00149 per kWh credit for the Non-bypassable Transition Charge effective April 1, 2021 presented within PUC 2-12, calculated to recover the \$10.4 million credit due to customers with the understanding that the Company would receive and retain the weighted average cost of capital, subject to the Commission's interpretation that such action is permissible (or otherwise ordered by the Commission) under the Company's Non-Bypassable Transition Charge Adjustment Provision, R.I.P.U.C. No 1188, which states, in part, the following:

The Non-Bypassable Transition Charge shall collect from customers all Contract Termination Charges billed to the Narragansett Electric Company (the Company) by the New England Power Company or Montaup Electric Company. The Non-Bypassable Transition Charge may be subject to adjustment each time any Contract Termination Charge changes.

Record Request No. 3

Request:

Referencing the Expense category on Docket 4770, do these costs include expenses from programs like Energy Efficiency?

Response:

Expenses from the Energy Efficiency program are not included in the cost of service component of the Primary Distribution Carrying Charge that is used in the calculation of the Block Island Transmission System ("BITS") Surcharge for The Narragansett Electric Company.

Record Request No. 4

Request:

Why is Deepwater listed among the Company's projects with distribution facilities?

Response:

During the March 26, 2021 Annual Retail Rates hearing in R.I.P.U.C. Docket No. 5127, it was incorrectly stated that the Deepwater facilities are classified as transmission. Deepwater is listed among the Company's projects with distribution facilities, because the Deepwater facilities are rated as 34.5kV and are classified as distribution assets based on the Company's Asset Classification Rules.

Record Request No. 5

Request:

Is it reasonable and likely that the Company will incur over \$57 million of O&M costs over the course of the Block Island cable project (BITS)? What is the basis of this opinion?

Response:

The Company believes it is reasonable that over \$57 million of O&M costs could be incurred over the course of the Block Island Transmission System ("BITS") cable project. The Company cannot, however, say whether or not it is likely that O&M costs in excess of \$57 million will be incurred due to the nature of certain unpredictable and infrequent costs.

BITS is a mixed land cable and submarine cable system. The land cable will incur routine, predictable maintenance costs, such as periodic manhole inspections, and the submarine cable will incur some predictable costs related to annual reporting requirements and more infrequently, costs related to anticipated burial depth surveys. The following situations, however, are unpredictable and infrequent and have the potential to result in significant O&M costs:

- Adding supplemental cable protection if the 5-year survey shows areas where the seabed has moved, and the Company no longer has minimum cover over the cable.
- Third party work or incidents reported near the cable.
- Third party construction, manhole civil repairs from traffic loading, and periodic work in the manholes on the land cable.
- Actual cable failures either through third party damage or from cable component failure. This may be considered a capital cost.

Notwithstanding, the Company recognizes that the O&M expenses have not reached such levels since 2017 (when the Company began to bill the BITS Surcharge). The Company notes that it is working in collaboration with the Division of Public Utilities and Carriers on a new approach to the carrying charge formula that currently determines the BITS Surcharge.

Please see the letter the Company filed with the Public Utilities Commission on April 1, 2021 in Docket Nos. 4770 and 5127 and attached as Attachment RR-5 for ease of reference.

April 1, 2021

VIA ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket Nos. 4770 and 5127 - Update on the Block Island Transmission System Surcharge

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid (National Grid or the Company), we write to acknowledge the Public Utilities Commission's (PUC) comments at its March 29, 2021 Open Meeting regarding the rate structure associated with the Block Island Transmission System surcharge (BITS Surcharge). The Company understands the concerns the PUC noted at the Open Meeting and had already begun to consider an alternative solution for the BITS Surcharge. We would like to take this opportunity to update the PUC on the steps the Company is taking to address these concerns.

The Company has been working in collaboration with the Division of Public Utilities and Carriers (Division) on a proposed solution relating to the carrying charge formula applied to the BITS Surcharge. The Company is committed to continuing to work with the Division to advance a proposed solution that is in the best interest of Rhode Island customers, while remaining consistent with Federal Energy Regulatory Commission (FERC) precedent, as expeditiously as possible. The Company and the Division are aligned on wanting a new approach to the carrying charge formula and have conceptually agreed on a possible solution. We anticipate reaching a resolution regarding further details (including the process before FERC) in the weeks ahead.

The Company recognizes the critical importance and complexities of the BITS Surcharge issue and will keep the PUC updated on our progress.

Luly E. Massaro, Commission Clerk
Docket Nos. 4770 and 5127 – BITS Surcharge
April 1, 2021
Page 2 of 2

Thank you for your attention to this correspondence. If you have any questions or concerns related to the aforementioned process, please do not hesitate to contact Andrew Marcaccio at 401-784-4263 or Jennifer Hutchinson at 401-784-7288.

Very truly yours,



Andrew S. Marcaccio



Jennifer Brooks Hutchinson

cc: Docket Nos. 4770 and 5127 Service Lists
John Bell, Division
Christy Hetherington, Esq.
Leo Wold, Esq.

Record Request No. 6

Request:

What is the basis of the Company's statement that since the BITS assets are associated with the first offshore wind farm in the United States it is reasonable to expect that there would be significant O&M and A&G costs during the life of the assets? How does the fact that the cable is associated with an offshore wind farm make it unpredictable to know what the O&M costs will be on the 20-mile cable?

Response:

The Company's initial reference to the BITS assets being associated with the first offshore wind farm in the United States was intended to convey that at the time the BITS Surcharge was developed, there was uncertainty regarding the magnitude and timing of costs that would arise over the useful life of the project. Based on the Company's experience with the project to date and a further review of the cable system, the Company still cannot predict when significant costs may be incurred or exactly how significant those costs may be. Please see the Company's response to Record Request No. 5 for a more detailed explanation of the types of situations that may occur and could result in significant costs during the life of the assets.

Record Request No. 7

Request:

Please provide an update on Schedule MVA-8.

Response:

The timing of the cable reburial being placed into service remains unchanged. It is expected to be placed into service in May 2021. Because the BITS Surcharge billing is done on a 1-month lag, the incremental charges related to the reburial are expected to be billed to Narragansett Electric in June 2021. There are no changes to Schedule MVA-8 at this time.

Record Request No. 8

Request:

Please provide the hypothetical alternative calculation that was provided for 2020 that was provided for 2019 and 2021?

Response:

Please refer to Attachment RR-8 which provides a hypothetical 2020 revenue requirement for the BITS project calculated using the formula applicable to transmission facilities in Rhode Island providing local network service under Schedule 21 - NEP. The methodology used to calculate the revenue requirement in Attachment RR-8 is the same methodology used to calculate the revenue requirement in Attachment PUC 3-5-1 in Docket No. 4770 and Attachment PUC 1-8 in Docket No. 5127.

Additionally, as discussed in PUC 3-5 in Docket No. 4770 and PUC 1-8 in Docket No. 5127, there is no formula for calculating a transmission carrying charge specific to Narragansett Electric in Schedule 21-NEP or in NEP's Tariff No.1. The Company has, however, calculated a hypothetical Narragansett Electric transmission carrying charge in response to these data requests. This hypothetical transmission carrying charge is based on the 2019 Integrated Facilities Agreement "IFA" transmission revenue requirements as the 2020 revenue requirement is not yet available.

The Narragansett Electric Company
Integrated Facilities Agreement
Summary of BITS Surcharge
For Hypothetical Costs in Calendar Year 2020

Line	Billing Month	Gross Plant (a)	Carrying Charge (b)	BITS Surcharge (c)
1	January	114,168,145	13.91%	1,323,297
2	February	114,198,676	13.91%	1,323,650
3	March	114,426,011	13.91%	1,326,285
4	April	114,456,270	13.91%	1,326,636
5	May	114,464,924	13.91%	1,326,736
6	June	114,466,787	13.91%	1,326,758
7	July	114,476,590	13.91%	1,326,872
8	August	114,518,284	13.91%	1,327,355
9	September	114,527,764	13.91%	1,327,465
10	October	114,539,128	13.91%	1,327,597
11	November	114,541,319	13.91%	1,327,622
12	December	114,551,917	13.91%	1,327,745
13	Total Hypothetical Calendar Year 2020			15,918,017

Notes

- (a) Gross Plant values as per IFA billing month
- (b) The Narragansett Electric Company's 2019 carrying charge calculated using transmission revenue requirements as per annual IFA filing
- (c) Similar to PUC 1-8, the calendar year 2020 BITS Surcharge is estimated using a hypothetical Narragansett Electric Company transmission carrying charge as opposed to the FERC approved Primary Distribution System Carrying Charge set forth in Schedule III-B to NEP's FERC Electric Tariff No. 1

Record Request No. 9

Request:

Regarding the incremental \$30 million cost for reburying the Block Island cable, does the Company expect to collect those costs from ratepayers or will it attempt to collect some portion of those costs from parties involved in the initial burying of the cable?

Response:

The Company currently expects to collect the incremental cost for reburying the Block Island cable from customers through the Transmission Service Cost Adjustment factor for the Company's portion of the total BITS Surcharge assessed to Narragansett Electric and BIPCO from New England Power Company